Chapter 2:

Tourism and Recreation Trends

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National and Global Tourism Trends

Global Tourism is Increasing, but so is the Competition

From 1992 to 2004, world tourism rose 52%. International visits to the U.S. are growing 5-7% per year, primarily from Canada, Mexico, the U.K., Japan, and Germany. More Chinese are traveling: 27 million traveled abroad in 2004, and the number is projected to be 100 million in 2020, along with 50 million travelers from India. However, as competition for the tourist dollar increases, the U.S. share of the total global tourism market declined by 36%. Therefore, highly targeted and effective tourism promotion efforts are necessary to remain competitive.

Waterfall in China

National Trends Fast Facts

- 1/4 of Americans visit national parks
- 1/5 visit national forests
- Heritage/cultural tourism is fastest-growing segment
- Downtown shopping districts preferred by more tourists (49%) than malls (27%) or department stores (26%)

75% of Americans Travel by Motor Vehicle, 25% Visit National Parks, and 20% Visit National Forests

In the U.S., 75% of travel is by car, 16% by air (although 38% of business travel includes air). Business travel has declined due to the use of technology for meetings, but non-business sectors of meetings and conferences continue to grow. One-in-four Americans visit a national park annually, and 20% visit a national forest. A major reason for visiting parks and forests is wildlife viewing. There are 66 million wildlife watchers in the U.S., and they spend more than $8 billion annually on travel.

Safety, Fuel Prices, Culture, and Dining Affect Decisions

In 2007, safety and fuel prices remained major factors in travel decisions. Heritage and cultural travel is the fastest growing segment of the tourism industry (80% of adult travelers include an historic or cultural activity on their trip), and there is growing interest in American Indian cultures. Cuisine is increasingly important in travel decisions (quality restaurants, wineries, etc.). Shopping is the most popular domestic trip activity.

"It is important to generate growth in creative enterprises and small businesses in our communities that are directly derived from Montana's diverse history, cultures, ecology, agriculture, fine arts and the culinary arts. This will also contribute to new creative content in marketing efforts. We are on the right track if we merge sense of place with commerce."

- Dyani Bingham
Montana Tribal Tourism Alliance

Travelers Seek Authentic Experiences, Avoid "Generica"

Travelers seek places and experiences that are authentic: downtown shopping districts are preferred by more tourists (49%) than malls (27%) or department/box stores (26%). Therefore, destinations must avoid becoming "Generica" – the homogenization of communities and landscapes ("If the destination looks just like home, why go?").

Hotel Rates are Rising, Growth is in Upscale Accommodations

Hotel rates are rising, particularly in the Upscale category. The national average daily hotel room rate (ADR) is $96 ($177 in the Upscale/Luxury category). The year-round hotel occupancy rate is 64%, and the fastest growth in new hotel development is in the Mid-scale Limited Service and Upscale/Luxury categories.[1]

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Recreational Vehicles are on the Move – Many Want to See Montana

In 2006, RV shipments were the highest since 1978, despite high fuel prices. Most RV buyers are Boomers, but the 35-54 age group is the fastest growing segment of new RV owners. One-in-ten RV owners desires to visit Montana.

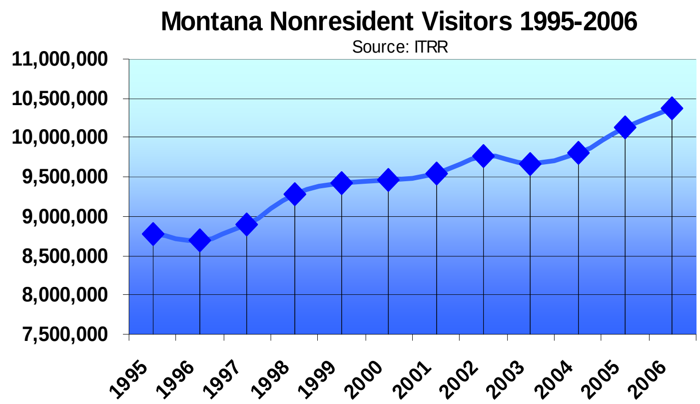
Nationally, 1-in-10 RV owners desires to visit Montana.

[1] Smith Travel Research, 2006

Montana Tourism and Recreation Trends

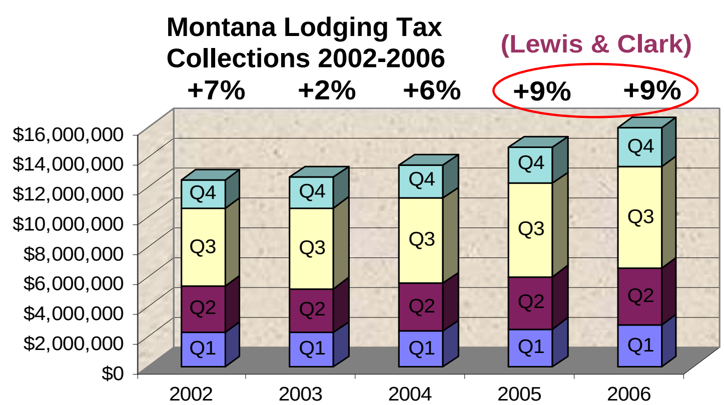
Nonresident Visitation and Lodging Revenues Continue To Grow

Over the past decade, Montana has experienced steady growth in both the number of nonresident visitors (see graph below), and tax collections from lodging sales (due to both increased visitation and increases in room rates).



Lewis & Clark Bicentennial Drew Visitors in 2005-2006

Montana's 4% lodging tax collections rose from $11.5 million in 2001 to nearly $16 million in 2006, and are projected to exceed $17 million in 2008. Montana has an additional 3% tax on lodging and car rentals which currently supplements the general fund revenues as of this writing (2007). Lodging sales, as reflected by tax collections, showed particularly strong increases in 2005 and 2006 during the Lewis & Clark Bicentennial Commemoration (see chart below). Most of the sales took place in the second and third quarters (April through September), with less dramatic growth in first and fourth quarters.



Nearly 2/3 of Lodging Sales are in Two Regions of MT

More than 60% of the 2006 lodging taxes statewide were collected in the Glacier Country and Yellowstone Country regions (see table at left), due to the concentration of major attractions and lodging facilities in those regions. Custer Country, anchored by Billings, collected 16% of the total. By contrast, Russell Country and Missouri River Country regions in north central and northeastern Montana combined collected only 11% of the total taxes. There is much opportunity to increase tourism in these regions through targeted promotions to niche markets.

4% Lodging Tax Collections 2006

Country	Amount	%
Glacier Country	$4,906,788	31%
Yellowstone Country	4,733,465	30%
Custer Country	2,622,790	16%
Gold West Country	1,944,977	12%
Russell Country	1,443,157	9%
Missouri R. Country	278,648	2%
Montana	$15,929,825	100%

Montana Has More Friends & Family, Fewer Destination Travelers

According to research by the University of Montana Institute for Tourism and Recreation Research (ITRR), there have been several significant changes in the types of travelers visiting Montana. Statewide traveler surveys conducted in 2001 and 2005 revealed the following:

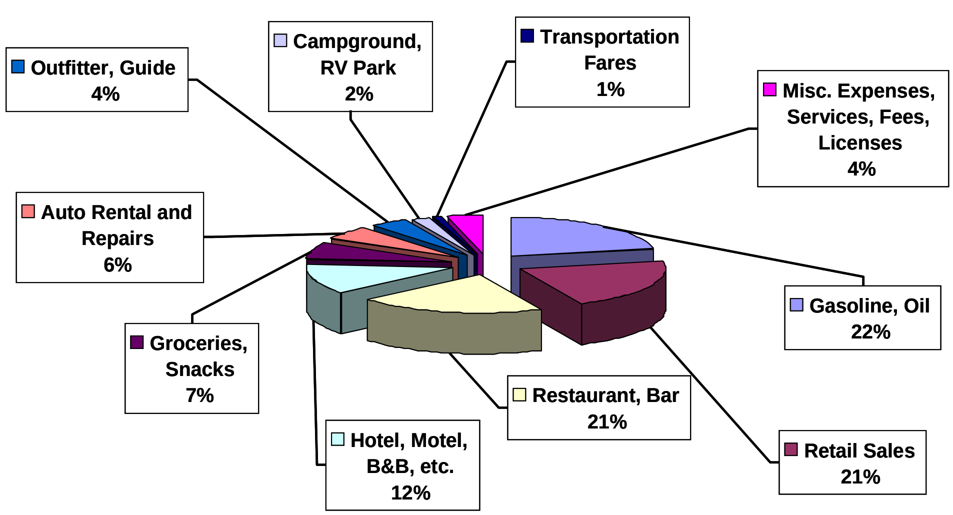
- From 2001 to 2005, the number of Vacation travelers declined by 473,480, from 41% to 34% of all nonresident travelers. Vacation travelers are defined as those whose primary reason for traveling to Montana was vacation, so this finding may indicate that *Montana is losing market share to its competitors* in the destination vacation market.
- The number of Pass-thru travelers increased from 24% to 27% of all travelers, again indicating that Montana is the main destination for fewer travelers.
- The number of travelers who are Visiting Friends and Relatives (VFR) increased from 14% to 19% of all travelers. Additionally, the percentage of overnights spent in commercial lodging declined 4% among all travelers, but the percentage of overnights spent at the homes of friends/family rose 8%. Both of these findings are perhaps influenced by the increased number of vacation homeowners in Montana.
- The percentage of travelers who earn $100,000 or more rose by 7% from 2001 to 2005, indicating an increase in the number of more affluent travelers (which is related to the increase in overall tourist spending).
- More travelers flew to Montana: the percentage of travelers who flew to Montana was 30% in 2005, vs. 19% in 2001, again reflecting more affluent travelers, and perhaps vacation homeowners.
- International visitation rose by 60,000+, as Canadian and European travelers continue to visit Montana in larger numbers.
- The number of visitors from Idaho and Wyoming increased, perhaps due to the number of new residents in those states, and the trend of people traveling closer to home after 9/11.

Traveler research indicates that Montana lost market share among destination Vacation travelers from 2001 to 2005 by a drop of nearly 475,000 visitors.

Traveler Spend Most on Fuel, Retail, Food and Beverages

The chart shows the 2005 breakdown of the nonresident tourist dollar in Montana. The sectors that benefit most are Gasoline and Oil, Retailers, Restaurants and Bars. Sales in these categories improve business profitability, create jobs, and generate income and property taxes that benefit Montana residents and communities. According to TIA, for every dollar that visitors spend on lodging, they spend another $4.58 on transportation, food & beverages, retail purchases, recreation, and entertainment. Therefore, if visitors spent $365.3 million on lodging in 2005, then they spent another $1.7 billion on those other items.

2005 Allocation of Nonresident Traveler Spending



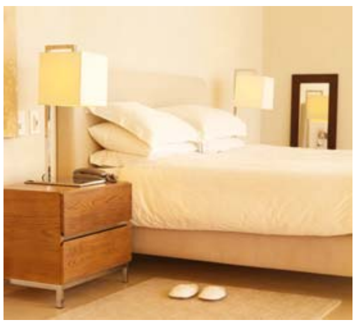
100+ New Lodging Properties Opened in the Last 5 Years

From 2002 to 2006, overall lodging sales in Montana rose 28%. From 1999 to 2006, new lodging property development experienced 7% growth: 100 new properties opened in Montana, and additional lodging is planned over the next few years, primarily Upscale properties (1,526 more rooms) and Midscale Limited Service properties (597 more rooms). The estimated total number of rooms in 2006 was about 30,890, including hotels, B&Bs, lodges, condominiums, and guest ranches.

Montana's Average Daily Room Rate (ADR) is $68 compared to national average of $96.

Hotel Occupancy and ADR are Lower than the National Average

In 2006, the year-round hotel occupancy rate statewide was about 60%, which is lower than the national average of 64%. [2] The same report listed Montana's Average Daily (room) Rate (ADR) at $67.73, which is much lower than the national ADR of $95.64. Occupancy rates and ADR in Montana are significantly impacted by seasonality. More focus is needed on niche markets, along with group and event business in off-peak seasons, to raise year-round tourism revenues.



Value of Vacant Rooms was $309 Million in 2006

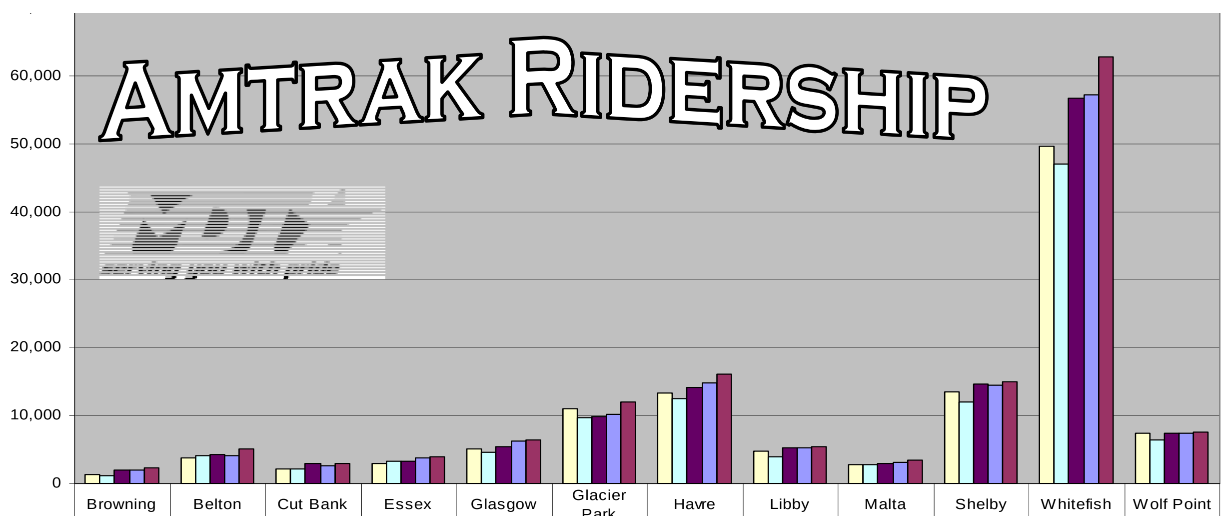
A total of 30,890 lodging units equals 11.3 million potential room nights annually. At 59.5% occupancy in 2006, there were 4.6 million vacant room nights, valued at $309 million (based on the state ADR of $67.73), which would have generated $21.7 million in lodging taxes (4% + 3%). Overall, nonresident travelers spent a total of $2.8 billion in Montana in 2005.

"Amtrak increases in Whitefish are not just in winter – the increase is throughout the year."

- Rhonda Fitzgerald, Whitefish

Airline Service and Amtrak Usage in Montana are Rising

Commercial airline enplanements in Montana rose 10% from 2002 to 2006. New flights from Denver, Chicago, and Las Vegas were added to Montana airports in 2007. Amtrak passenger counts also increased from 2001 to 2005, by 17% (117,850 to 142,783), as shown in the chart below. The Whitefish station had the most Amtrak passengers, followed by Havre, Shelby, and Glacier Park.



	Browning	Belton	Cut Bank	Essex	Glasgow	Glacier Park	Havre	Libby	Malta	Shelby	Whitefish	Wolf Point
2001	1,344	3,721	2,151	2,949	5,144	11,086	13,278	4,781	2,874	13,504	49,690	7,328
2002	1,087	4,124	2,177	3,293	4,678	9,648	12,472	4,003	2,749	11,992	46,915	6,412
2003	2,029	4,324	3,033	3,310	5,422	9,845	14,113	5,276	2,896	14,662	56,708	7,446
2004	1,986	4,078	2,619	3,742	6,219	10,123	14,865	5,196	3,103	14,483	57,141	7,438
2005	2,287	5,100	2,919	3,947	6,387	11,943	16,064	5,385	3,474	14,962	62,719	7,596

[2] Smith Travel Research, 2006

Traffic on Montana Interstates Increased by Only 2% in Six Years

According to traffic counters at 173 sites along Montana's Interstate highways (I-15, I-90 and I-94), overall Average Annual Daily Traffic (AADT) increased only 2% from 2000 to 2006. The Montana Department of Transportation attributes this small growth to increased fuel prices from the 2005 hurricane season (Katrina, Rita and Wilma), which impacted recreational travel. However, during the peak tourist season of May through September, the number of travelers served by State-funded Visitor Information Centers (VICs) in Montana grew by 13% from 2002 to 2006.

Montana traffic counts were impacted by fuel prices.

Visits to Major National Park Rose from 2001-05, Others Declined

Glacier and Yellowstone National Parks continue to be Montana's largest tourism attractions. Visits to the seven National sites in Montana increased by 6% from 2001 to 2005, although the overall growth was due to Glacier and Yellowstone, because the other sites experienced declining visitation:

National Park/Site Visitation in Montana, 2001-2005

Glacier National Park	+15%
Yellowstone National Park	+3%
Big Hole Battlefield	-3%
Ft. Union Post	-13%
Grant Kohrs National Historic Site	-13%
Bighorn Canyon	-19%
Little Big Horn Battlefield	-2%

Glacier and Yellowstone Park visits were up, while visits declined in other national parks.

Montanans Lead Visitation to State Parks and National Forests

Visits to the nine National Forests in Montana exceed 9 million annually, and most of those visitors are Montanans. Visits to Montana State Parks grew 30% from 2001 to 2005, from 1.34 million to 1.75 million. However, most of the increase was from Montana residents, who represented 70% of the visitation in 2003, and 79% in 2005. This was due in part to the elimination of day use fees for Montana residents.

The elimination of day use fees in Montana State Parks for Montana residents fueled increased visitation.

Most Angler Days are Generated by Montana Residents

Meanwhile, use of Fishing Access Sites declined from 2001 to 2005. In 2003, 53% of all fishing license purchasers were Montana residents (227,562, representing 33% of all adult Montanans), and 47% were nonresidents (200,647). However, nonresidents represented only 29% of total angler days (800,723), while Montanans represented 71% of total angler days. Guided fishing trips generated a combined economic impact for Montana of $51,649,000.[3]

Montana has the Most Resident Hunters per Capita in the U.S., Nonresidents are 26% of Hunters, Guided Hunts Bring $66+ Million

Montana has the highest level of resident participation in hunting in the U.S., with about 39% of adult male residents and 13% of adult female residents purchasing a hunting license annually. In 2003, 74% of all hunters in Montana were residents, and only 26% were nonresident hunters. The combined economic impact in Montana from guided hunting trips in 2005 was $66,756,000.[4]

Nonresidents represented only 29% of total angler days in 2003, but guided fishing trips generated $51.7 million in economic benefits.

[3] ITRR Outfitter Research Report, March 2007
[4] ITRR Outfitter Research Report, March 2007

Hunters contribute the largest economic portion to outfitting, with the smallest number of clients.

Who Are Outfitter Clients?
The demographics of guided trip clients vary by activity. In general, women are most prominent on rafting/canoeing/kayaking trips, while men are most prominent on hunting and fishing trips. Backpacking/hiking clients are younger than all other groups. Hunters and anglers tend to have higher incomes, and most guided hunting clients live in the eastern half of the U.S. Clients on guided river and fishing trips spent more of their money on lodging. Montana residents participate in guided river and fishing trips, but not guided hunting trips.
- ITRR Outfitter Research Report, March 2007

Outfitting is a Significant Contributor to Montana Tourism, Bringing High Value, Low Impact Visitors

In 2005, 91,000 nonresidents visited Montana primarily for an outfitted trip. An additional 227,000 nonresidents added value to their vacation with a guided experience, confirming that the outfitting industry is a significant component of tourism in Montana. There were a total of 318,000 outfitted clients in 2005, as follows: [5]

124,000 (39%)	Rafting/floating/canoeing/kayaking
63,800 (20%)	Fishing
45,100 (14%)	Horseback riding
19,500 (6%)	Hunting
18,000 (6%)	Hiking or backpacking
48,270 (15%)	Wildlife viewing, snowmobiling, wagon train, dog sled

Hunters contribute the largest economic portion to outfitting, with the smallest number of clients, while fishing has both the second highest economic contribution and number of clients. For 82% of the hunters, and 33% of the anglers, their outfitted trip was the primary purpose for their visit to Montana.

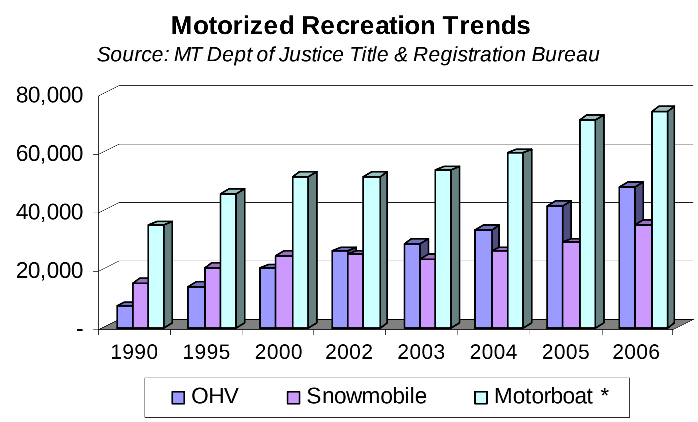
In 2006, there were 998 known outfitters in Montana, with 744 of those licensed to do guided hunting and fishing (other activities do not require a license). More than half (55%) of guided trips take place on lands managed by the U.S. Forest Service, showcasing Montana's bountiful natural resources to guests who represent high value, low impact sustainable travel. The direct contribution of the outfitting industry to Montana's economy is more than $110 million.

Skier Visits Show Overall Growth, Much of It From Montanans

Fifteen Montana ski areas reported a 9% increase in skier days from the 1998-99 season to the 2005-06 season. The number of skiers declined 18% from 2003-04 to 2004-05, then rebounded 30% in 2005-06. The 2005-06 season was the largest in Montana history, due to abundant snow, an increase in resident skiing/snowboarding, and effective state promotions targeting the Seattle and Minneapolis markets.

Use of Motorized Off-Road Recreation Vehicles is Increasing

The number of resident and nonresident motorized recreation users in Montana climbed steadily from 2001 through 2006, including boats, snowmobiles and OHVs/ATVs (see chart).[6] These figures reflect the aging Baby Boomers, who have time and money to spend on leisure activities, and who are beginning to experience physical limitations affecting their ability to enjoy strenuous nonmotorized recreation activities.



[5] ITRR Outfitting Industry Research Report, March 2007
[6] MT Dept of Justice Title & Registration Bureau: Registration numbers include 'RPOs' (Registration Purpose Only), which typically refer to nonresidents.

Montana Strengths and Opportunities

Based on the national and state trends summarized on the previous pages, and on input from Montana tourism and recreation industry stakeholders, the following is a summary of Montana's strengths and opportunities as a tourism destination.

Strengths that make Montana a desirable tourism destination:

- Outstanding natural and cultural attractions: mountains, open landscapes, rivers, lakes, forests, fossils, National Scenic and Historic Trails, Indian culture and events, museums, interpretive centers, etc.
- Positive image in consumers' minds.
- High quality visitor facilities with available capacity: hotels, resorts, ski areas, visitor centers, restaurants, shops, theaters, galleries, parks and recreation facilities, spas, etc.
- Year-round recreational activities: scenic driving, hiking/biking, fishing/hunting, skiing, rafting, snowmobiling, golf, horseback riding, wildlife viewing, etc.
- Historic, cultural and sporting events: reenactments, pow wows, concerts, festivals, tournaments, triathalons, etc.
- Friendly people that enhance the travelers' experiences.
- Transportation system that includes good highways, rest areas, airports, and Amtrak, plus new transit service.
- Affordability as a destination, especially with a weak U.S. dollar.
- Education and workforce training programs: Superhost, university tourism and recreation degree programs, culinary school, Small Business Development Centers, tourism workshops, etc.
- Dedicated public funding for tourism development and marketing programs.
- Tourism research that provides current market data to the tourism industry.
- Suppliers and support services based in Montana, featuring Montana products.

Opportunities for Montana as a tourism destination:

- Consistent brand and messaging for powerful marketing impact.
- Variety of tourism products that can be promoted to niche markets, particularly in off-peak seasons.
- Leveraging of private and public marketing dollars for greater reach.
- Measurement of results of marketing efforts, and strategic adjustments to methods based on results.
- Increased visibility for Montana's lesser known attractions/facilities.
- Regional familiarization tours for visitor center and front-line employees to increase cross-promotion and visitor length of stay.
- Development of vacation packages that weave together diverse activities to capture interests of everyone in a travel party, such as quilting or artisan tours linked to outfitted fishing trips.
- Expansion of Montana's Main Street program to increase vitality of historic Downtown districts and attract visitors.
- Elderhostel programs and activities for RVers.
- Non-business conferences/trade shows, especially during off-peak seasons.
- Re-energize Montana's Hands of Harvest and Made/Grown-in-Montana programs, linking agritourism, craftsmen, restaurants, and retailers with travelers.

Montana Main Street

The National Main Street Program is a powerful economic development program that increases the vitality of Downtown districts, and can be a significant factor in destination decision-making.

In 2005, nearly 1,900 Main Street districts in the United States realized a net gain of 72,387 new businesses, which created 331,417 new jobs, and resulted in $31.5 billion in new public and private investment in Downtown districts.

The average return on investment (ROI) in dollars generated for every dollar invested in Main Street was more than $28 to $1.

Montana Weaknesses and Threats

Participants in the Strategic Plan process also identified weaknesses and threats to Montana's tourism and recreation.

"We need to protect the natural resources of Montana. Our research shows that open spaces, clean water and skies, and abundant wildlife are on top of the lists when it comes to reasons people come here."

- Doug Wales
Yellowstone Country

Key weaknesses for tourism in Montana:

- Distance to Montana from major customer markets.
- Lack of traveler awareness about Montana attractions and amenities.
- Negative perceptions or misperceptions about Montana (melting glaciers, fires, dangerous animals, no amenities, etc.).
- Difficulties marketing year-round travel due to weather and road conditions.
- Off-peak season closures of attractions and services.
- Transportation (cost/availability of flights, lack of public transit).
- Lack of information provided by lodging businesses to CVBs and tourism regions about groups booked (to measure results of marketing efforts).
- Workforce availability and skills – problems with seasonal workforce (see table of survey results below).
- Inadequate services in some locations (lodging, store hours, signage, meeting space, public restrooms).

Threats to tourism in Montana:

- Increasing competition from other states, countries.
- Rising costs and declining availability of revenues to fund public infrastructure, facilities, and amenities.
- Declining federal budgets for National Parks, Forests, Wildlife Refuges, and transportation.
- Changes in federal/state policies related to use of public recreation lands.
- Diminishing access to public and private lands for recreation.
- Increasing fuel/energy prices.
- Lack of growth management to preserve unique character of Montana landscapes and communities.
- Lack of resources to preserve community history and culture.
- Competition among industry partners in Montana; inability to work together and pursue a common vision: *"We have seen the enemy -- and he is us!"*

Online Survey Results Related to Tourism Workforce Problems in Montana

1=Not At All a Problem, 5=Very Much a Problem

	Mean	#
Lack of qualified workers/volunteers	3.2	220
Avail. of affordable housing	3.1	172
Work ethic of workforce	3.0	197
College, university calendar year	3.0	210
High school calendar year	2.7	165
Substance abuse issues	2.1	162
Immigration issues for guest workers	2.1	94